

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 PRS-01 PA-02 IO-13 NRC-07

ERDA-07 AID-05 CEA-01 CIAE-00 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-15 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-10 FEA-01 /138 W

-----222125Z 080358 /46

P 221912Z APR 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 2995

UNCLAS SECTION 01 OF 02 LONDON 06637

E.O. 11652: N/A

TAGS: ENRG UK

SUBJECT: PRESIDENT'S NATIONAL ENERGY PROGRAM

REF: STATE 90458

1. SUMMARY: WIDESPREAD FACTUAL COVERAGE OF THE PRESIDENT'S ENERGY PROGRAM IS COMPLEMENTED BY LARGELY FAVORABLE EDITORIAL COMMENT IN THE QUALITY PRESS. COMMENT IS FOCUSED ON THE IMPORTANCE FOR THE WORLD ECONOMY OF LOWERING POTENTIAL U.S. DEMAND FOR OIL IMPORTS, AND THE DIFFICULTIES LIKELY TO BE PRESENTED BY THE CONGRESS. THE TIMES CRITICIZED THE FAILURE TO BALANCE CONSERVATION EFFORTS WITH SUFFICIENT INCENTIVES FOR INCREASED PRODUCTION OF ENERGY SUPPLY. THE GUARDIAN FOCUSED ON THE POSSIBLE DAMAGE TO BRITISH CAR EXPORTS POSED BY THE REBATE SCHEME. END SUMMARY.

2. A TIMES OF LONDON EDITORIAL NOTED THAT FEW STATEMENTS PRESIDENT CARTER IS LIKELY TO MAKE DURING HIS TERM OF OFFICE WILL HAVE THE FUNDAMENTAL IMPORTANCE OF THE ENERGY PROGRAM WHICH HE UNVEILED. THE GROSS ENERGY IMBALANCE IN THE U.S. IS BY FAR THE GREATEST SINGLE FACTOR THREATENING  
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THE INDUSTRIAL AND ECONOMIC DEVELOPMENT OF THE WORLD ECONOMY AS A WHOLE. PRESIDENT CARTER'S COMPREHENSIVE AND RADICAL APPROACH MUST BE GENERALLY WELCOMED. IT HAS ALL THE MARKS OF FACING THE ISSUES SQUARELY. GIVEN THE HUGE TASK OF PUBLIC EDUCATION, THE PRESIDENT HAD TO MAKE A NICE JUDGMENT AS TO HOW FAR HE SHOULD GO IN THE FIRST STAGE OF TAKING THE AMERICAN PEOPLE DOWN THE ROAD TO

REALITY IN ENERGY MATTERS. ON THE DEMAND SIDE OF THE EQUATION, HE APPEARS PREPARED TO GO A CONSIDERABLE DISTANCE. THE CONSERVATION MEASURES....COULD DO MUCH TO SLOW THE RISE IN CONSUMPTION. THE RISE IN THE PRICE OF OIL PRODUCTS....IS CLEARLY THE ONLY WAY IN WHICH PROGRESS IS GOING TO BE MADE. IT REMAINS TO BE SEEN WHETHER CONGRESS ALLOWS THE PRICE TO BE LIFTED IN THIS WAY. THE CENTRAL WEAKNESS OF THE CARTER PROGRAM, HOWEVER, SEEMS TO LIE ON THE SIDE OF PRODUCTION. WITH SO MUCH OF THE EMPHASIS ON THE SIDE OF CONSERVATION AND THE ACCEPTANCE IN PRINCIPLE THAT, THROUGH INCREASED TAXATION. THE PRICE MECHANISM WILL HAVE TO BE USED TO SHIFT THE PATTERN OF DEMAND, IT MUST BE REGRETTED THAT THE SAME PRESSURE AND LOGIC WAS NOT APPLIED TO THE QUESTION OF PRODUCTION.... COMBINED WITH THE LACK OF CLARITY ABOUT WHERE THE SOURCES OF CAPITAL ARE TO BE FOUND FOR DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, THIS APPEARS TO BE THE MAJOR GAP IN WHAT PURPORTS TO BE A COMPREHENSIVE POLICY. IT IS VIRTUALLY CERTAIN THAT THE POLICY AS A WHOLE WILL FALL SHORT OF ITS OBJECTIVES UNLESS THAT GAP IS FILLED.

3. THE TIMES' WASHINGTON CORRESPONDENT DISCUSSES THE LIKELY CONGRESSIONAL PROBLEMS WHICH WILL BE ENCOUNTERED BUT ADDS THAT EUROPEANS COULD BE EXCUSED FOR BEING UNIMPRESSED. THE PRICE OF AN AMERICAN GALLON OF GAS WOULD NOT RISE TO ONE DOLLAR UNTIL EIGHT YEARS HENCE. THE MODEST NATURE OF THE GASOLINE TAX PROPOSED SUGGESTS IT COULD BE ONE ITEM MR. CARTER WOULD BE WILLING TO SACRIFICE IN CONGRESS TO GET OTHERS THROUGH.

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4. A FINANCIAL TIMES EDITORIAL STATES THAT THE U.S. IS NOT ONLY AN EXTREMELY LARGE BUT A WASTEFUL CONSUMER OF ENERGY. EVER SINCE ITS DEMAND FOR OIL BEGAN TO EXCEED WHAT IT COULD SUPPLY DOMESTICALLY, THE BALANCE OF WORLD TRADE IN OIL PRODUCTS HAS BEEN BADLY DISTURBED AND THE PROSPECT OF A WORLD SHORTAGE OF OIL HAS BECOME MORE SERIOUS....WITH OIL AND GAS ACCOUNTING FOR 75 PERCENT OF CURRENT U.S. CONSUMPTION BUT ONLY SEVEN PERCENT OF ITS KNOWN RESERVES, A MAJOR CHANGE IN CONSUMPTION PATTERNS IS EVIDENTLY CALLED FOR. CONSERVATION, IN PRESIDENT CARTER'S WORDS, IS THE KEY, HENCE THE BULK OF PROPOSALS IN THIS FIELD....BUT FINANCIAL STICKS AND CARROTS ARE SIMULTANEOUSLY PROPOSED TO INCREASE THE SUPPLY OF ENERGY FROM OIL, COAL, NUCLEAR POWER, ETC. ONE REASON FOR THE RELIEF OF THE OIL COMPANIES IS THAT THE PRESIDENT SEEMS TO HAVE SET HIS FACE, FOR THE TIME BEING AT LEAST, AGAINST FORCING THEM TO DIVEST THEMSELVES OF THEIR INVESTMENTS IN OTHER FORMS OF ENERGY.

THIS IS NOT TO SAY THAT HE DOES NOT INTEND TO SUPERVISE

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THEIR OPERATIONS AND THEIR PROFITABILITY CLOSELY. BUT HE APPEARS TO HAVE PUT HIS EMPHASIS ON CONSERVATION AND TO HAVE IGNORED CONNECTED ISSUES LIKE DIVESTITURE AND CHANGES IN ENVIRONMENTAL REGULATIONS (WHICH WOULD HAVE ENCOURAGED THE DEVELOPMENT OF STRIP-MINING OF COAL) FOR THE SAKE OF PRESENTING CONGRESS WITH AS CLEARCUT AN ISSUE AS POSSIBLE. FOR THESE ARE ONLY PROPOSALS. THEY WILL BE WIDELY UNPOPULAR AND WILL BE FOUGHT IN CONGRESS FOR THAT REASON LET ALONE BY VARIOUS BUSINESS INTERESTS. IT IS TOO EARLY TO SAY HOW SUCCESSFUL PRESIDENT CARTER WILL BE, BUT THERE UNDOUBTEDLY WILL BE A LOT OF HAGGLING AND COMPROMISE ON THE MOST OPTIMISTIC ASSUMPTIONS, AND THE DATE FOR THE VARIOUS TARGETS WHICH THE PRESIDENT HOPES TO HIT BY 1985. FOR ALL THAT, THE REST OF THE WORLD HAS GOOD REASON FOR BEING GRATEFUL TO HIM. THE MORE HIS PROGRAM IS ACCEPTED, AND POTENTIAL U.S. DEMAND FOR IMPORTED OIL BROUGHT DOWN, THE LESS DAUNTING WILL BE THE PROSPECT--FOR BOTH SUPPLIES AND PRICE--FACING OTHER COUNTRIES. AS ROY JENKINS HAS POINTED OUT, EUROPE IS WORSE PLACED THAN THE U.S. THE RESUMPTION OF ENRICHED URANIUM SUPPLIES MAY LEAD THE WAY TO AN AGREED

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SOLUTION OF THE NUCLEAR REACTOR QUESTION, WHILE THE U.S. EXAMPLE MAY NOW LEAD THE EUROPEAN COMMUNITY TO WORK OUT AN ENERGY PROGRAM OF ITS OWN.

5. THE GUARDIAN GIVES FRONT PAGE COVERAGE TO A REPORT THAT THE ENERGY PLAN MAY HURT BRITISH CAR EXPORTS, A 172 MILLION POUND ANNUAL MARKET. BRITISH TRADE MINISTER EDMUND DELL REPORTEDLY WILL SEEK SOME CLARIFICATION OF THE PROPOSALS FOR PRICE SUBSIDIES ON SMALL, FUEL-EFFICIENT CARS APPLIED AUTOMATICALLY ONLY TO AMERICAN AND CANADIAN MODELS. ABOUT 90 PERCENT OF BRITISH LEYLAND'S U.S. SALES OF 65,000 CARS OUGHT TO QUALIFY FOR THE REBATE. ONLY THE JAGUAR XJ RANGE HAS A FUEL CONSUMPTION RANGE TOO HIGH TO QUALIFY. THE ADMINISTRATION HAS BEEN FLOATING VARIOUS PROPOSALS FOR ADMINISTERING THE REBATE. ONE SUGGESTION WAS THAT IT BE DONE ON A COUNTRY-BY-COUNTRY BASIS WITH THE TOTAL AMOUNT OF TAX COLLECTED ON THAT COUNTRY'S "GAS GUZZLERS" BEING REFUNDED IN REBATES FOR THE MORE EFFICIENT CARS. NOTING THERE ARE NOT ENOUGH JAGUARS SOLD TO GET MUCH BACK ON TRIUMPHS, THE GUARDIAN OBSERVED THAT THE JAPANESE WOULD BE HIT EVEN HARDER. AN ADMINISTRATION OFFICIAL CONFIRMED THAT ALTHOUGH THEY HAD RETREATED SOMEWHAT IN THE FACE OF DIPLOMATIC CONCERN, AN ELEMENT OF DISCRIMINATION WOULD REMAIN. IN SPECIAL TRADE REPRESENTATIVE ROBERT STRAUSS'S TALKS WITH FOREIGN GOVERNMENTS, HE WILL BE TRYING TO ASSESS WHAT EFFECT ON MARKET PENETRATION THE FULL REBATE WOULD HAVE.

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